

12 Jul  
2021

## IPEC hands down cautionary verdict after unjustified threats made by distributor towards legitimate trader

United Kingdom - [Morgan, Lewis & Bockius UK LLP](#)

- **Potential claimants must consider all the circumstances thoroughly before alleging trademark infringement**
- **The court made a rare finding that an allegation of infringement amounted to an actionable unjustified threat**
- **The court dismissed the argument that the protection afforded to importers by Section 21A(2)(b) should extend to entities causing goods to be imported**

The Intellectual Property and Enterprise Court (IPEC) has handed down judgment on the case of [Fox Group International Ltd v Teleta Pharma Limited](#) ([2021] EWHC 1714 (IPEC)), which serves as a “cautionary tale” to claimants seeking to bring trademark infringement proceedings in the United Kingdom, with the court making a rare finding that an allegation of infringement amounted to an actionable unjustified threat of trademark infringement proceedings under Section 21A of the Trademarks Act 1994.

### Background

The claimant, Fox Group International Ltd (‘Fox’), is a UK-based supplier of aesthetic and cosmetic products, which supplied a hyaluronic acid dermal filler under the REVOLAX mark pursuant to an exclusive distribution agreement with the manufacturer of Revolax, Across Co Ltd (‘Across’). Under that distribution agreement, Fox acknowledged that Across’ trademarks remained the exclusive property of Across. In spite of this provision, shortly after signing the distribution agreement, Fox applied for and obtained a UK trademark registration for REVOLAX in Classes 3, 5, 35 and 44 (the ‘UK trademark’).

In early 2018 it came to Fox’s attention that a third-party wholesale trader of cosmetic and pharmaceutical products, Teleta Pharma Limited (‘Teleta’), was offering REVOLAX-branded dermal fillers for sale in the United Kingdom. Teleta had acquired the products through its sister company, BP Pharma, which had imported the products from an authorised Revolax distributor in Poland.

Fox’s solicitors issued a letter of claim seeking undertakings from Teleta, which Teleta provided on an interim basis whilst it checked the position as to the origin of the REVOLAX-branded products. Shortly thereafter, Fox launched trademark infringement and passing off proceedings against Teleta.

In its defence, Teleta argued exhaustion of rights, arguing that the REVOLAX-branded goods had been placed on the market in the European Economic Area by Across and, therefore, that Fox’s threats in respect of “white market” goods were unjustified. Teleta also counterclaimed for a declaration of invalidity on the grounds of bad faith, arguing that Fox knew that it had no legitimate basis to claim exclusive rights in the UK trademark in light of the terms of its distribution agreement with Across.

Prior to the dispute coming to trial, Fox discontinued its claim against Teleta and assigned the UK trademark to Across, leaving the court to determine only the counterclaims.

### Decision

The court found that Across had not consented to Fox obtaining the UK trademark. Although Across had been made aware of Fox’s application for the UK trademark, Across had been either non-committal, non-encouraging or unresponsive to this information, meaning that it was not reasonable for Fox to believe that Across had given consent, particularly in light of the contrary term of the distribution agreement agreed by the parties. The court held that Fox’s intentions had been dishonest and that, by obtaining the UK trademark, Fox had sought to prevent UK consumers from identifying the true origin of REVOLAX-branded products. Accordingly, the court declared the UK trademark invalid pursuant to Section 47(1) of the act.

As to unjustified threats, Fox sought to argue that its threats were not actionable within the meaning of Section 21A(2)(b) of the act because Teleta caused the goods in question to be imported, and should therefore benefit from the protection afforded by Section 21A(2)(b) in respect of threats made to importers. The court, however, disagreed and found that the legislation was clear that such protection was afforded to importers - in this case, Teleta’s sister company BP Pharma - not entities causing goods to be imported. Fox’s letter of claim did therefore contain actionable unjustified threats and Teleta was entitled to damages.

### Lessons to be learnt

This case serves to remind potential claimants and their advisers of the risks associated with the UK “unjustified threats” legislation and the need to consider all the circumstances thoroughly before alleging trademark infringement. Allegations of infringement relating to grey market goods require considerable care and should be approached with caution given the risks of a counterclaim for unjustified threats if, as a result of exhaustion of rights, the grey goods are being offered lawfully.

The case also serves as a reminder to distributors and manufacturers to ensure that parties understand fully the terms of distribution agreements.

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